CIRQUE ENERGY LTD.

1996 Annual Report

Corporate Profile

Cirque Energy Ltd., a Canadian energy company based in Calgary, Alberta is engaged in the exploration, development and production of oil and gas reserves in western Canada and the United Kingdom.

Cirque's principle focus is on crude oil, currently accounting for 90% of the Company's total revenue. Growth is being achieved primarily through drilling on internally generated prospects. Our existing production is 100% Cirque operated. The Company is committed to enhancing shareholder value through continued application of these principles.

Cirque's common shares are listed on The Alberta Stock Exchange and The NASDAQ Stock Market. The securities trade under the symbols "CIQ" and "CIRQF" respectively.

CIRQUE
ENERGY LTD.

Annual Meeting Details

The Annual Meeting of Shareholders will be held at 10:00 a.m. (Mountain Standard Time) on Thursday, August 22nd, 1996 at Fifth Avenue Place 16th floor, 425-1st Street S.W., Calgary, Alberta

All Shareholders and interested persons are invited to attend.

Financial Highlights

For The Year Ended March 31, 1996

CIRQUE ENERGY LTD.

	1996	1995	% Change
FINANCIAL ($)			
Net Oil and Gas Revenues	2,549,000	1,657,000	54
Cash Flow from Operations	1,594,000	922,000	73
Per Common Share	0.05	0.03	67
Net Earnings	353,000	80,000	341
Capital Expenditures	3,326,000	1,224,000	172
Working Capital	916,000	842,000	9
Total Assets	7,246,000	4,670,000	53
Common Shareholders' Equity	6,224,000	4,066,000	53
Common Shares Outstanding	33,100,580	31,971,080	4
OPERATING			
Production			
Oil (bbls/d)	378	213	77
Natural Gas (mcf/d)	408	452	-10
Average Sales Price			
Oil ($ per bbl)	18.57	18.84	-1
Natural Gas ($ per mcf)	1.25	1.84	-32
Reserves			
Crude Oil - mbbls			
Proven	623	383	63
Probable	304	293	4
Total	927	675	37
Natural gas - mmcf			
Proven	368	326	13
Probable	2,938	1,851	59
Total	3,306	2,177	52
Undeveloped Land (acres)			
Domestic			
Gross	22,280	14,720	51
Net	11,491	5,102	125
Foreign			
Gross	149,928	52,300	187
Net	97,453	33,995	187

Report to the Shareholders

CIRQUE ENERGY LTD.

Cirque is committed to creating shareholder value through strategic growth. The Company continues to increase its reserves, production and cash flow. The Company's business plan continues to focus on the development of oil reserves and production primarily in western Canada. The strong domestic growth component is complimented by Cirque's active international program in the United Kingdom where major gains are possible in the upcoming year.

Cirque increased net revenues 54% from $1,657,000 to $2,549,000. Cash flow from operating activities was up 73% from $922,000 to $1,594,000. Cirque has no bank debt and an unused $1,000,000 line of credit expandable to $2,000,000.

Cirque's growth during 1996 was a combination of two production purchases, a successful development program, one fully subscribed financing and a large acquisition of land in the United Kingdom. A large component of Cirque's growth in 1996-1997 will be focused on exploration projects. Although exploration poses a higher risk than development, it offers the potential for significant growth in shareholder value. Cirque's exploration strategy is to position the Company for high gains while at the same time limiting the downside exposure. A measured, diversified approach to exploration plays is our strategy.

Cirque's exploration program is funded from cash flow and equity financing. Cirque closed a private placement where 4,300,000 special warrants were sold at $0.35 each for gross proceeds of $1,505,000. This financing was set in place to fund Cirque's participation in the drilling of three exploratory oil wells in the East Midlands area of the United Kingdom.

The Company's focus on opportunities and cost-effective operations are examples of consistent strategies that are key to our performance. One strategic purchase was that of an additional 29% working interest in Battle Creek, Saskatchewan for $1,040,000 cash, 700,000 common shares from treasury and 350,000 share purchase warrants exerciseable at $0.50 each. This increases Cirque's interest in the pool to 84.5%. Cirque's horizontal development of the pool will continue through 1996.

We are optimistic about the upcoming year. In western Canada, crude oil remains the preferred product. The Company continued to increase its inventory of undeveloped lands in Alberta and Saskatchewan and is well positioned to show growth in crude oil reserves and production. Additional lands and prospects have been acquired in the Provost, Long Coulee, Bow Island, Grand Forks and Turin areas of south central Alberta. Internationally, we expect further positive developments from the United Kingdom operations as we intensify our exploration program with the drilling of two exploratory wells following the acquisition of a total of 97,500 net acres of land.

I am very pleased with the efforts of our employees and consultants over the past year. I welcome Mitch Putnam, Roger Edmonds and Ken Smith to our exploration team. Cirque has assembled a proficient group of individuals who pursue the challenges of our business enthusiastically and effectively. This will provide a stronger base for Cirque's growth in 1997.

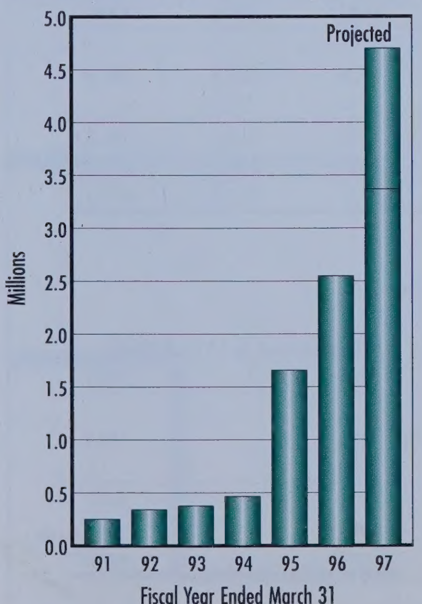
Over the last three years, Cirque has adhered to the strategies and objectives set out in our business plan. I believe Cirque has the ability to pursue exciting growth opportunities in the future. I thank our shareholders for their support and I look forward to another year of success in 1997.

On behalf of the Board of Directors,

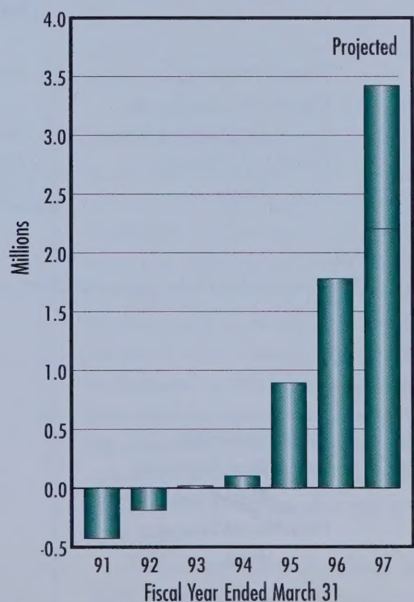
Glen A. Phillips
President and Chief Executive Officer

CIRQUE ENERGY LTD.

Revenue (Net of Royalties)



Cash Flow - Operations



Exploration and Development

CIRQUE ENERGY LTD.

Cirque's exploration and development strategy is focused on creating value while managing our risk exposure. Investments are made to position the company for substantial growth while avoiding the capital exposure that could threaten the well-being of the Company.

The Company will continue to focus drilling capital on oil prospects because of the current and expected low product prices for natural gas over the near term. Crude prices traded in the range of U.S. $16.00 to $21.00 per barrel (West Texas Intermediate) during 1995. We believe crude will trade in the range of U.S. $19.00 to $22.00 per barrel in 1996.

For a company the size of Cirque, Western Canada contains properties with excellent growth opportunities. Domestic exploration is carried out in south central Alberta and Saskatchewan. These areas provide a strong production base to leverage Cirque's expansion into the United Kingdom. The United Kingdom has larger and substantially longer-life reservoirs and, while more time is required to bring wells on stream, the area offers less competition primarily due to the major oil companies having moved to the more prolific off- shore North Sea areas.

This operational shift to an international project is a key component in realizing substantial growth. Western Canada will continue to provide the foundation for growth while the United Kingdom will remain an opportunity to provide our shareholders with the potential for capital appreciation.

RESERVES and NET PRESENT VALUE

The Company's reserves of crude oil and natural gas were evaluated internally and audited by Martin Petroleum & Associates, independent petroleum engineers, in a report dated June 4, 1996. The results of the Martin report are summarized below with comparative figures shown for 1995.

	Natural Gas (mmcf)		**Crude Oil (mbbls)**	
	1996	**1995**	**1996**	**1995**
Proved Producing	368	326	606.3	382.8
Proved Non-Producing	—	—	16.9	—
Total Proved Reserves	368	326	623.2	382.8
Probable Additional	2938	1851	304.2	292.4
Total	3306	2177	927.4	675.2

The present value of the estimated future net revenues is:

	Discounted at 15%, $(000's)	
	1996	**1995**
Proved Producing	4412	3045
Proved Non-Producing	99	—
Total Proved Reserves	4511	3045
Probable Additional	2484	2155
Total	6995	5200

Property Review

CIRQUE
ENERGY LTD.

GRAND FORKS, HAYS, BOW ISLAND AREA, ALBERTA

During the year Cirque purchased a 100% working interest in four parcels of land totalling 440 acres in Grand Forks. Subsequent to year end, the Company acquired a 100% interest in a further 960 acres located on the Hays and Bow Island Prospects. At Bow Island, Cirque now holds a 100% interest in 960 acres which offsets a New Pool Wildcat oil discovery recently drilled by a competitor. Nearby wells and recently purchased and reprocessed seismic suggest that the reservoir extends onto the Cirque lands. The overall Grand Forks area (including Hays and Bow Island) produces significant reserves from several highly productive oil zones. This area could provide significant cash flow for the company. The Company will explore its lands after the offset well is completed and evaluated.

PROVOST, ALBERTA

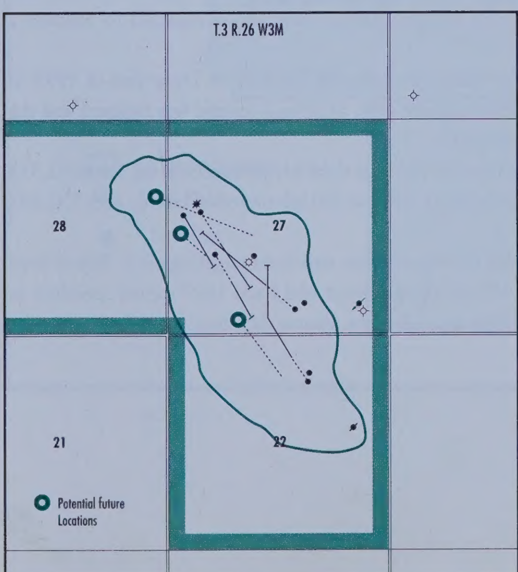
Cirque has farmed-in for a 56.5% working interest in a petroleum and natural gas permit covering 640 acres. Two dimensional seismic supports the potential to encounter an oil pool capable of significant reserves. The drilling location has been geophysically matched to model several offsetting oil and gas pools on this very prolific trend. A well has been licensed and will be drilled by Cirque in July, weather permitting.

LONG COULEE, ALBERTA

The Company acquired an 89.25% working interest in 960 gross acres in Long Coulee. Geological mapping and new geophysical shooting indicated the potential for a very large oil pool. Being a high risk project, Cirque participated for only a 40% working interest and acquired partners for the balance. An exploratory test hole was drilled in June and was plugged and abandoned.

BATTLE CREEK, SASKATCHEWAN

The Battle Creek Field in Saskatchewan continues to be the Company's key producing property with the purchase of an additional 29% working interest as of November 1, 1995 to bring Cirque's share in the field to 84.5%. During the year one horizontal well was drilled in the Mississippian. The property now has four producing horizontal and three producing vertical oil wells, one gas well and one salt water disposal well. The pool is currently producing 450 to 500 barrels of oil per day.



The 1996 plans for Battle Creek call for the drilling of the fifth horizontal in June, the conversion of a second well to salt water disposal and the finalization of the battery modifications. Oil processing and water injection capacity will be increased to 800 barrels per day of oil and 6000 barrels per day of water. Storage capacity will be increased to 4400 barrels of oil to allow flexibility during times of operating difficulties. Other battery modifications to improve the safety, reliability and efficiency of the operation will also be instituted.

Future development plans in Battle Creek include one horizontal

CIRQUE ENERGY LTD.

location in the Mississippian and two in the Shaunavon. The exploitation of the existing shallow gas reserves will be considered when gas prices increase. A potential vertical test for oil in the deeper horizons is also being reviewed.

TURIN AREA, ALBERTA

In August, 1995 Cirque (50%) and a partner purchased a 100% interest in 3,680 gross acres of Freehold Petroleum and Natural Gas rights north of Taber in Southern Alberta. The lands offset three oil pools that suggest that the reservoirs may extend onto the Cirque lands. Subsequent to year end one hole was drilled and abandoned. Reservoir quality rock was not encountered in the wellbore. Seismic is programmed to be shot over the lands in the second quarter and a minimum of one additional well will be drilled prior to year end.

INTERNATIONAL PROPERTIES

United Kingdom

The United Kingdom offers a stable political climate, excellent facility infrastructure, good accessibility, land availability and a large reserve potential with long-life high-quality reserves. The East Midlands region is geologically complex and the wells are more expensive than in Canada; however, significant reserves in multiple producing zones, no royalties for onshore production and Cirque's strong technical expertise help mitigate these risks.

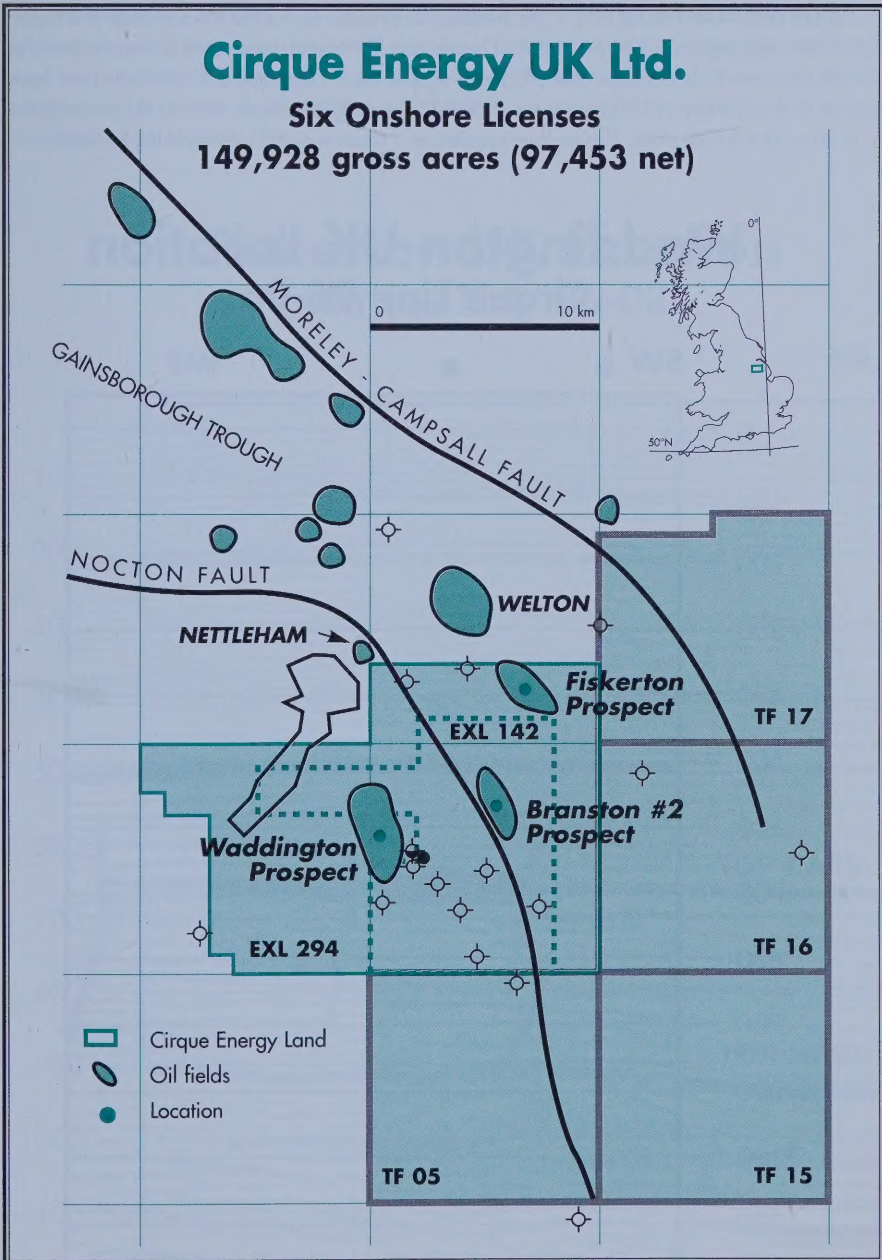
Cirque entered the United Kingdom in 1994 with a seismic option on 22,239 acres. An additional 30,084 acre license contiguous to the first was acquired by Cirque and its partner in mid-1995. In February 1996, Cirque was granted the right to explore on four additional blocks of land in the United Kingdom comprising 390 square kilometers. Cirque U.K. is operator and has a 65% working interest in 149,928 gross (97,453 net) acres. These lands will be explored on a continuous basis over the next 3 - 6 years.

Our main target zone is the Basal Permo-Carboniferous sands that produce two kilometers north of our lands in the Welton Pool. The Welton Pool, the second largest onshore pool in the United Kingdom has produced over 10 million barrels of light gravity crude and is expected to produce a minimum of 20 million barrels of oil.

1996 PLANS - With the drilling of the Cirque Branston #1 dry hole in December of 1995, it became apparent that due to the complex faulting in the area, additional seismic was required and the drilling of wells on specific shot points was necessary.

Cirque shot an additional 30 kilometers of seismic over its three key prospects on the initial 52,323 acre blocks. Additional data was purchased and Cirque now has 150 kilometers of seismic over EXL142 and EXL294.

Cirque plans to drill two exploratory wells on large separate structures targeting oil in Welton-type features. The Company, as operator, has a 65% working interest and fiscal 1997 capital spending in England will be in excess of $750,000 including expanding the seismic data base.



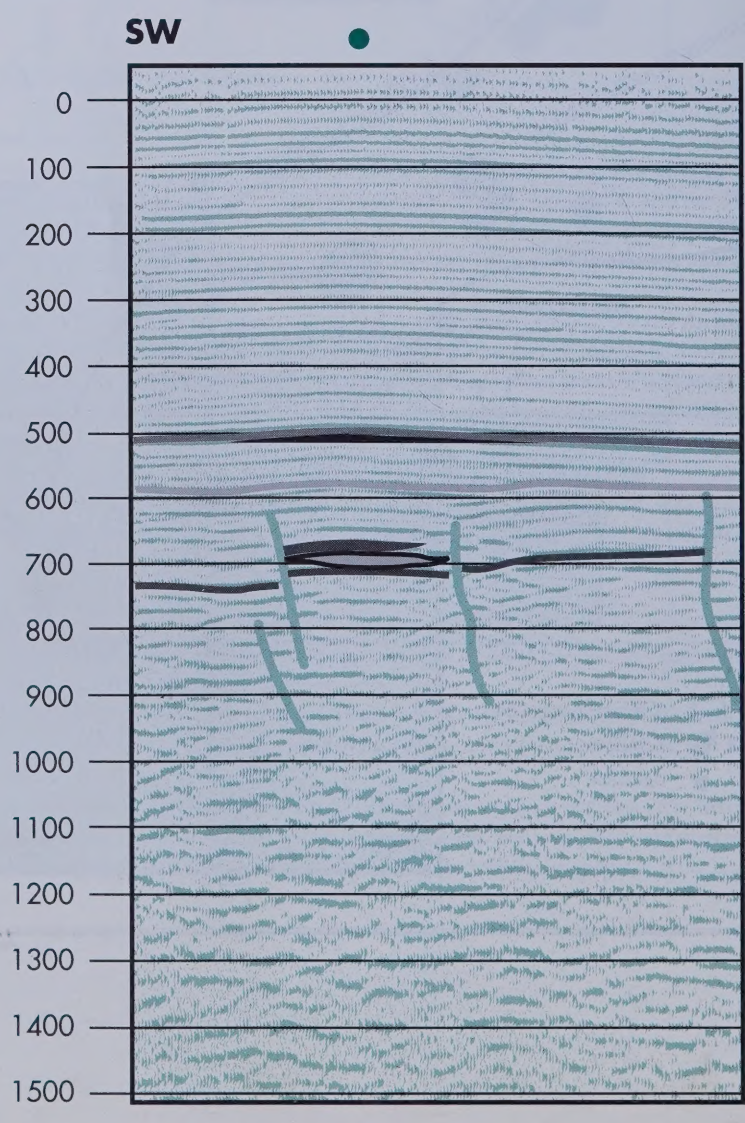
CIRQUE ENERGY LTD.

CIRQUE ENERGY LTD.

WADDINGTON PROSPECT - The Waddington prospect sits on the Nocton High in a highly faulted and stratigraphically complex region. The prospect has been extremely well defined by previous well control, new Cirque seismic and purchased seismic data. Three potential oil zones have been targeted in the first test well. The prospect, which is 5 square kilometers in size, has the potential for up to 20 million barrels of oil. Surface lease acquisition is under way and close to being finalized.

Waddington UK Location

Cirque Line 96-06

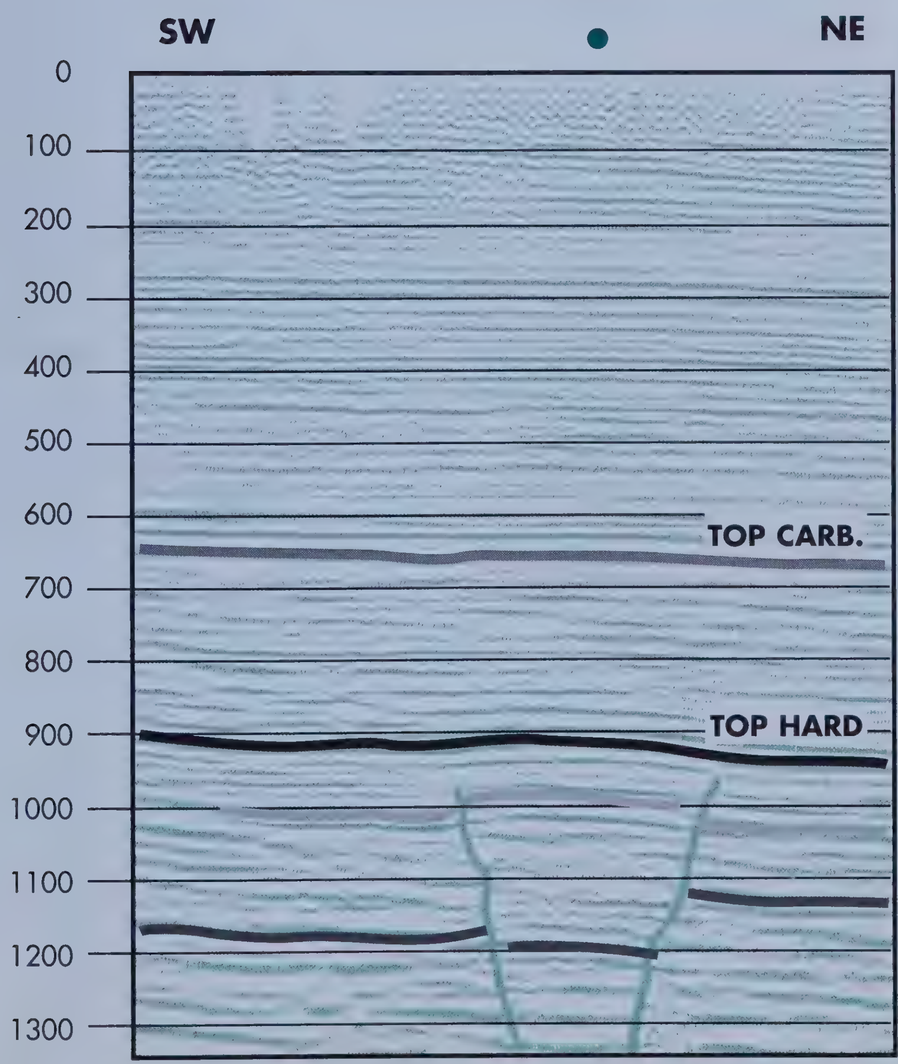


FISKERTON PROSPECT - Cirque seismic crews focused heavily on this structure that sits two kilometers south of the prolific Welton Oil Pool. With Welton as a model pool, two look-alike features were mapped. Potential reserves of 5 to 10 million barrels of oil are indicated. Surface lease acquisition is under way. Both wells the Waddington and Fiskerton are anticipated to commence drilling in late September - early October 1996.

CIRQUE ENERGY LTD.

Fiskerton UK Location

Cirque Line 96-03



Auditors' Report

CIRQUE ENERGY LTD.

To the Shareholders of
Cirque Energy Ltd.

We have audited the consolidated balance sheets of Cirque Energy Ltd. as at March 31, 1996 and 1995 and the consolidated statements of operations and retained earnings and changes in financial position for each of the years in the three year period ended March 31, 1996. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 1996 and 1995, and the results of its operations and changes in its financial position for each of the years in the three year period ended March 31, 1996 in accordance with generally accepted accounting principles.

Calgary, Alberta
June 5, 1996

Doane Raymond
Chartered Accountants

Consolidated Statements of Operations and Retained Earnings

Years Ended March 31

	1996	1995	1994
Revenue			
Oil and gas sales	$ 2,771,934	$ 1,782,350	$ 491,046
Royalties	(223,134)	(125,271)	(25,678)
	2,548,800	1,657,079	465,368
Expenses			
Operating costs - oil and gas	722,309	602,451	154,601
General and administrative	428,529	440,685	279,267
Site restoration costs	111,000	57,000	24,000
Depreciation, depletion and amortization	1,130,743	722,702	191,944
	2,392,581	1,822,838	649,812
Earnings (loss) before the undernoted	156,219	(165,759)	(184,444)
Debenture interest	33,960	172,875	119,531
Foreign exchange (loss) gain	(11,507)	2,000	81,407
Interest and other income	173,873	139,034	15,897
Write down of debenture	–	(68,205)	–
	196,326	245,704	216,835
Earnings before income taxes	352,545	79,945	32,391
Current income tax expense (Note 13)	236,500	333,300	57,500
Income tax recovery due to application of prior years' losses	(236,500)	(333,300)	(57,500)
Net earnings	$ 352,545	$ 79,945	$ 32,391
Retained earnings (deficit), beginning of year			
As previously stated	$ 1,945	$ –	$(13,376,574)
Adjustment of prior year's earnings (Note 3)	130,000	52,000	–
As restated	131,945	52,000	(13,376,574)
Net earnings	352,545	79,945	32,391
Elimination of deficit on reduction of capital stock (Note 9)	–	–	13,396,183
Retained earnings, end of year	$ 484,490	$ 131,945	$ 52,000
Per share data:			
Basic earnings per share (Canadian Basis)	$ .01	$ –	$ –
Primary earnings per share (United States Basis)	$ .01	$ –	$ –

CIRQUE ENERGY LTD.

See accompanying notes to the financial statements.

Consolidated Balance Sheets

March 31

CIRQUE ENERGY LTD.

	1996	1995
Assets		
Current		
Cash	$ 933,434	$ 261,660
Accounts receivable	725,672	613,466
Debenture receivable (Note 5)	–	412,705
Inventory	–	14,768
	1,659,106	1,302,599
Trust funds (Note 8)	24,831	–
Petroleum and natural gas properties and equipment (Note 6)	5,543,755	3,354,255
Fixed (Note 7)	18,244	12,892
	$ 7,245,936	$ 4,669,746
Liabilities		
Current		
Accounts payable and accrued liabilities	$ 742,987	$ 460,748
Trust liability (Note 8)	24,831	–
Site restoration and abandonment costs	254,000	143,000
	1,021,818	603,748
Shareholders' Equity		
Capital stock (Note 9)	5,739,628	3,934,053
Retained earnings (Note 3)	484,490	131,945
	6,224,118	4,065,998
	$ 7,245,936	$ 4,669,746

On behalf of the Board

_______________ Director _______________ Director

See accompanying notes to the financial statements.

Consolidated Statements of Changes in Financial Position

Years Ended March 31

CIRQUE ENERGY LTD.

	1996	1995	1994
Cash derived from (applied to)			
Operating			
Net earnings	$ 352,545	$ 79,945	$ 32,391
Items not involving cash			
Depreciation, depletion and amortization	1,130,743	722,702	191,944
Site restoration costs	111,000	57,000	24,000
Unrealized foreign exchange gain	–	(5,500)	(66,827)
Write down of debenture	–	68,205	–
	1,594,288	922,352	181,508
Net decrease in non-cash operating working capital items	184,801	(30,905)	(79,129)
	1,779,089	891,447	102,379
Investing			
Additions to oil and gas interests	(3,316,500)	(1,221,569)	(1,293,583)
Additions to fixed assets	(9,095)	(2,220)	–
Acquisition of subsidiary	–	(1,674,375)	–
Proceeds on redemption of debentures	412,705	380,325	262,969
Proceeds on sale of subsidiary	–	–	1,151,227
Investment in debentures	–	–	(1,051,877)
Trust funds invested	(24,831)	–	–
	(2,937,721)	(2,517,839)	(931,264)
Financing			
Proceeds from issue of common shares	450,375	19,740	1,087,790
Proceeds from issue of Special Warrants	1,355,200	–	–
Increase in trust liability	24,831	–	–
Shares issued pursuant to acquisition of subsidiary	–	1,606,670	–
Capital stock repurchased for cancellation	–	(14,625)	–
	1,830,406	1,611,785	1,087,790
Net cash (used) provided	671,774	(14,607)	258,905
Cash, beginning of year	261,660	276,267	17,362
Cash, end of year	$ 933,434	$ 261,660	$ 276,267

See accompanying notes to the financial statements.

Notes to the Consolidated Financial Statements

March 31, 1996

CIRQUE ENERGY LTD.

1. Nature of operations

The Company is engaged primarily in the exploration for and production of petroleum and natural gas in Canada and the United Kingdom.

2. Summary of significant accounting policies

a) Basis of Presentation

The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada and reflect the policies listed below. All financial statement amounts are stated in Canadian dollars.

b) Principles of consolidation

The consolidated financial statements include the accounts of the Company and two wholly-owned subsidiaries, Petrolantic Inc. and Cirque Energy (UK) Limited. Petrolantic Inc. is an inactive company.

Cirque Energy (UK) Limited was incorporated on July 12, 1995 with 100% of the issued and outstanding shares being subscribed for by the Company for nominal consideration. On November 1, 1995 oil and gas property interests in the United Kingdom were transferred to the subsidiary from the Company at their cost of $169,133. All exploration and development costs incurred in the United Kingdom are transacted through the subsidiary.

c) Joint ventures

During the year the Company conducted substantially all of its Canadian oil and gas exploration and production activities on a joint venture basis. These financial statements reflect only the Company's proportionate interest in such activities.

d) Petroleum and natural gas properties

(i) Capitalized costs

The Company follows the full cost method of accounting for its petroleum and natural gas operations. Under this method all costs related to the exploration for, and development of, petroleum and natural gas reserves are capitalized. Costs include lease acquisition costs, geological and geophysical expenses, overhead directly related to exploration and development activities and costs of drilling both productive and non-productive wells. Proceeds from the sale of properties are applied against capitalized costs, without any gain or loss being realized, unless such sale would significantly alter the rate of depletion and depreciation.

(ii) Depletion and depreciation

Depletion of petroleum and natural gas properties and depreciation of production equipment is provided using the unit-of-production method based upon estimated proven petroleum and natural gas reserves. The costs of significant unevaluated properties are excluded from costs subject to depletion. For depletion and depreciation purposes, relative volumes of petroleum and natural gas production and reserves are converted at the energy equivalent conversion rate of six thousand cubic feet of natural gas to one barrel of crude oil.

(iii) Ceiling test

In applying the full cost method, the Company calculates a ceiling test whereby the carrying value of petroleum and natural gas properties and production equipment, net of recorded deferred income taxes and the accumulated provision for site restoration and abandonment costs, is compared annually to an estimate of future net cash flow from the production of proven reserves. Net cash flow is estimated using year end prices, less estimated future general and administrative expenses, financing costs and income taxes. Should this comparison indicate an excess carrying value, the excess is charged against earnings as additional depletion and depreciation.

(iv) United Kingdom petroleum and natural gas properties

Petroleum and natural gas activities in the United Kingdom are considered to be in the preproduction stage. As a result all costs relating to oil and gas activities have been capitalized. When management of the Company has determined that a level of commercial production has been attained in this cost centre, and it is therefore no longer in the preproduction stage, the policies described in (ii) and (iii) above will be applied.

e) Site restoration and abandonment costs

Estimated future costs of well abandonment and site restoration, including removal of production facilities at the end of their useful life, aggregate $554,000. Costs are based on estimates valued at year end prices and in accordance with the current legislation and industry practices. The annual provision is computed on a unit-of-production basis and is recorded as an expense for the year. The accumulated provision is classified as a non-current liability.

The Company has established an abandonment fund to which it and its joint venture partners contribute. The cash from the fund is segregated in separate accounts to ensure funds are available to defray site restoration and abandonment costs when

CIRQUE ENERGY LTD.

CIRQUE ENERGY LTD.

production ceases. At March 31, 1996 the fund balance, which is included in cash, was $91,169 (1995 - $Nil).

f) Depreciation

Fixed assets are stated at cost. Depreciation is provided over the estimated useful lives of the assets at the following annual rates, once the asset is put into productive use:

Computer	30%	declining balance
Office furniture and equipment	20%	declining balance

g) Foreign currency translation

Petrolantic Inc. and Cirque Energy (UK) Limited are considered financially and operationally dependent upon the parent company, and thus these accounts are translated into Canadian dollars using the current rate of exchange for monetary assets and liabilities, the historic rate for non-monetary assets and liabilities, and at average rates of exchange for the period for revenues and expenses.

The debenture receivable, which are monetary assets, are translated into Canadian dollars using the current rate of exchange at the year end.

h) Earnings per common share

The basic and primary earnings per common share are computed using the weighted average number of common shares outstanding during the year. Fully diluted earnings per share is not presented as the calculation would be non-dilutive.

i) Flow-through common shares

Resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. Petroleum and natural gas properties and share capital are reduced by the estimated tax benefits transferred to shareholders (see also Note 3).

3. Change in accounting policy

During 1996, the Company retroactively changed its accounting policy for recording flow-through shares in order to better recognize the foregone tax benefit associated with the petroleum and natural gas expenditures which are renounced to the flow-through shareholders. In prior years the Company had credited the full amount of flow-through share proceeds to capital stock. The 1994 financial statements have been

restated to reflect the tax benefit foregone by the Company. As a result capital stock as at March 31, 1994 has decreased by $491,000, petroleum and natural gas properties at March 31, 1994 have decreased by $439,000 and depletion for the year ended March 31, 1994 has decreased by $52,000. Earnings before income taxes, net earnings and the retained earnings at the end of the year has increased by $52,000.

For the year ended March 31, 1995 depletion has decreased by $78,000. Earnings before taxes, net earnings and retained earnings have increased by $78,000.

CIRQUE ENERGY LTD.

4. Business combination

During the 1995 fiscal year, the Company (formerly Petrolantic Ltd.) issued 12,273,986 common shares in exchange for all of the issued and outstanding common shares of Cirque Oil & Gas Ltd., representing a share exchange ratio of 10.2 of the Company's common shares for each Cirque common share. The shareholders also voted to change the name of the company from Petrolantic Ltd. to Cirque Energy Ltd. The share exchange and name change were effective April 1, 1994 at which time the combining companies were amalgamated pursuant to the provisions of the Alberta Business Corporations Act.

The acquisition was recorded using the purchase method, and the allocation of the purchase price to acquired net assets is as follows:

Petroleum and natural gas property and equipment, net of deferred income taxes of $132,200	$ 1,481,331
Increment to fair market value	211,796
	1,693,127
Working capital	31,248
Other assets	14,625
Provision for future site restoration costs	(50,000)
Purchase price	$ 1,689,000

CIRQUE ENERGY LTD.

5. Debenture receivable

	1996	1995
Series C Debenture, non-interest bearing, due June 30, 1995	$ –	$ 515,885
Less unamortized discount based on imputed interest rate of 32%	–	(34,975)
	–	480,910
Less write-down to realizable value	–	(68,205)
	$ –	$ 412,705

Upon receipt of the debenture proceeds, the unamortized discount balance on that date was recognized as debenture interest income.

6. Petroleum and natural gas properties

	1996	1995
Petroleum and natural gas properties and equipment	$ 9,028,255	$ 5,711,755
Tax benefits transferred to shareholders	(491,000)	(491,000)
Less:		
Accumulated depreciation, depletion, amortization and valuation allowance	(2,993,500)	(1,866,500)
	$ 5,543,755	$ 3,354,255

Unevaluated properties with a cost of $791,900 (1995 - $Nil), included in petroleum and natural gas properties above, have not been subject to depletion.

7. Fixed Assets

	1996	1995
Computer	$ 21,070	$ 21,070
Office furniture and equipment	46,899	37,804
	67,969	58,874
Less accumulated depreciation	(49,725)	(45,982)
	$ 18,244	$ 12,892

8. Trust liability

The trust liability pertains to the joint venture partners' contributions to the abandonment fund described in Note 2(e) which have been segregated in separate bank accounts.

CIRQUE ENERGY LTD.

9. Capital stock

a) Authorized:

Unlimited number of common shares without par value

	Number of Shares	Proceeds
b) Common shares issued		
Balance, March 31, 1993	16,090,194	$15,121,661
Pursuant to flow-through share offering (net of costs of issue of $135,084 and estimated tax benefit renounced to shareholders of $491,000)	3,165,000	481,665
Exercise of directors and officers stock options	460,500	115,125
Elimination of deficit on reduction of capital stock	–	(13,396,183)
Balance, March 31, 1994	19,715,694	2,322,268
Pursuant to the acquisition of subsidiary, Note 4 (net of costs of issue of $82,330)	12,273,986	1,606,670
Exercise of directors and officers stock options	56,400	19,740
Returned to treasury for cancellation	(75,000)	(14,625)
Balance, March 31, 1995	31,971,080	3,934,053
Pursuant to the acquisition of oil and gas interests	700,000	343,000
Exercise of directors and officers stock options	429,500	107,375
Balance March 31, 1996	33,100,580	$ 4,384,428

At a special meeting held on March 24, 1994, the shareholders of the Company approved a special resolution reducing the stated capital applicable to the common shares of the Company by an amount equal to the deficit which would otherwise be shown in the audited financial statements as at March 31, 1994, and applying this amount to eliminate the accumulated deficit.

c) Special Warrants issued	Number of Warrants	Proceeds
Balance, March 31, 1993, 1994 and 1995	–	$ –
Pursuant to offering memorandum	4,300,000	1,355,200
Balance, March 31, 1996	4,300,000	$ 1,355,200

CIRQUE ENERGY LTD.

Pursuant to an offering memorandum, dated October 16, 1995, the Company issued 4,300,000 Special Warrants at a price of $0.35 per warrant for net proceeds to the Company of $1,355,200 after Agent's Commission of $90,300 and costs of issue of $59,500. Each Special Warrant entitles the holder to acquire one common share, without payment of additional consideration, on October 20, 1996. Any Special Warrants not exercised on October 20, 1996 will be deemed to be exercised by the holder on that date.

d) Common Shares and Special Warrants

	1996	1995
Common shares	$ 4,384,428	$ 3,934,053
Special Warrants	1,355,200	–
	$ 5,739,628	$ 3,934,053

e) Stock options

The following is a summary of stock options issued to officers and directors for the years noted:

	Number of Shares	Price Range Per Share
Outstanding at March 31, 1993	1,045,000	
1994		
Granted	800,000	$ 0.28
Cancelled/expired	(155,000)	$ 0.45
Exercised	(460,500)	$ 0.25
Outstanding at March 31, 1994	1,229,500	
1995		
Granted	490,000	$0.28
Cancelled/expired	(330,000)	$0.28
Outstanding at March 31, 1995	1,389,500	
1996		
Granted	1,500,000	$0.39
Exercised	(429,500)	$0.25
	2,460,000	

The stock options outstanding at March 31, 1996 are summarized as follows:

Shares	Price	Expiry
500,000	$0.28	October 5, 1998
310,000	$0.28	May 16, 1999
150,000	$0.28	September 22, 1999
1,500,000	$0.39	September 21, 2000
2,460,000		

CIRQUE ENERGY LTD.

10. Related party transactions

Powder Petroleum Ltd., which is controlled by an officer and director of the Company, is under contract to provide management services at fixed monthly amounts. Management fees paid under this contract during the year ended March 31, 1996 were $114,900; (1995 -$96,000; 1994 - $140,000).

11. Segmented information

Financial data by geographic segment is presented below for the year ended March 31, 1996. In 1994 and 1995 the Company operated only in Canada in the oil and gas exploration and development segment. There is only one reportable industry segment in each of 1994 through 1996.

Geographic Segments		
Segment revenue		
Canada	$	2,771,934
United Kingdom		–
	$	2,771,934
Segment earnings (loss)		
Canada	$	364,503
United Kingdom		(11,958)
	$	352,545
Segment identifiable assets		
Canada	$	6,394,466
United Kingdom		851,470
	$	7,245,936

CIRQUE
ENERGY LTD.

12. Commitments

The Company is party to a five year office lease agreement with two years remaining at year end. The total lease is $3,285 per month of which $600 is subleased. The net commitment of the Company is $2,685 per month.

13. Income taxes

a) The provision for income taxes differs from the result that would be obtained by applying the combined Canadian Federal and Provincial income tax rate of approximately 44.3% to earnings (loss) before income taxes. The difference results from the following:

	1996	1995	1994
Computed expected tax (recovery)	$ 156,200	$ 35,415	$ 14,350
Increase (decrease) resulting from:			
Depletion of resource properties having no tax cost	51,700	46,585	29,250
Non-deductible Crown charges	117,500	84,800	25,000
Alberta royalty tax credit	(23,300)	(34,700)	(14,600)
Federal resource allowance	(186,600)	(86,900)	(10,300)
Other adjustments	(79,800)	(11,000)	(19,800)
Unrecognized deferred tax benefits and losses	200,800	299,100	33,600
Income tax expense	$ 236,500	$ 333,300	$ 57,500

b) No recognition is given to the potential tax benefit of losses in these financial statements. The Company has losses available, which may be utilized to offset taxable income of future years, which expire as follows:

1997	$ 10,000
1998	323,000
1999	26,000
	$ 359,000

In addition, the Company has a capital loss of $2,755,000 which may be utilized to offset capital gains of future years.

CIRQUE ENERGY LTD.

c) The Company has available the following approximate amounts which may be deducted, at the annual rates indicated, in determining taxable income of future years:

	Rate	1996	1995	1994
Canadian exploration expense	100%	$ 806,000	$ 608,000	$ 383,000
Canadian development expense	30%	1,152,000	1,151,000	423,000
Canadian oil and gas property expense	10%	1,658,000	506,000	135,000
Undepreciated capital cost	20-100%	1,673,000	1,056,000	452,000
Share issue costs	5 year straight-line	288,000	139,000	188,000
		$ 5,577,000	$ 3,460,000	$ 1,581,000

14.Reconciliation between Canadian and United States generally accepted accounting principles

These consolidated financial statements have been prepared in accordance with Generally Accepted Accounting Principles, (GAAP), in Canada, which differ in some respects from GAAP in the United States. The material differences between the two are summarized below:

a) GAAP in Canada allows for the reduction of stated capital of outstanding common shares with a corresponding offset to deficit. This reclassification, which was made in the 1994 fiscal year, is not permitted by United States GAAP. Had the statements been prepared in accordance with United States GAAP, both the deficit and capital stock would have been greater by $13,396,183 at March 31, 1994 to date.

b) As described in Note 4, the Company was party to a share exchange with Cirque Oil & Gas Ltd. which resulted in the combination of the two Companies. For Canadian GAAP purposes, this transaction has been accounted for by the purchase method. However, for United States GAAP purposes, the transaction meets the requirements of a pooling-of-interests.

CIRQUE ENERGY LTD.

The differences in the carrying value of petroleum and natural gas properties and shareholders' equity are as follows:

	1996	1995
Carrying value of petroleum and natural gas properties - Canadian GAAP	$ 5,543,755	$ 3,354,255
Less purchase price increment included in above at net book value	(134,196)	(174,096)
Carrying value of petroleum and natural gas properties - U.S. GAAP	$ 5,409,559	$ 3,180,159
Shareholders' equity - Canadian GAAP	$ 6,224,118	$ 4,065,998
Purchase price increment over equity of Cirque Oil & Gas Ltd.	(134,196)	(174,096)
	6,089,922	3,891,902
Costs related to acquisition of subsidiary to increase capital stock for U.S. GAAP	82,330	82,330
Expense of acquisition costs for U.S. GAAP	(82,330)	(82,330)
Shareholders' equity - U.S. GAAP	$ 6,089,922	$ 3,891,902

c) United States, (U.S.), full cost accounting rules differ from Canadian full cost accounting guidelines followed by the Company. In determining the limitation on the carrying values of petroleum and natural gas properties at year end U.S. accounting rules require that the Company use year end oil and gas prices in arriving at future net revenues from the oil and gas properties and that these future net revenues be discounted at 10%. Canadian guidelines allow the use of average oil and gas prices in those circumstances described in Note 2 to the financial statements. These guidelines use undiscounted future net revenues and require the deduction of estimated future administrative costs. The carrying value of petroleum and natural gas properties of the Company would have been written down $1,620,000 in 1996 (1995 - $152,000; 1994 - $120,000), under the U.S. accounting rules. As a result, depletion expense under U.S. GAAP would have been lower in 1995 and subsequent years.

Corporate Information

BOARD OF DIRECTORS

Glen A. Phillips
Professional Geologist
Calgary, Alberta
President and
Chief Executive Officer
Cirque Energy Ltd.

Ron A. Shaw*
Professional Engineer
Calgary, Alberta
Vice-President, Engineering
Cirque Energy Ltd.

Peter C. Nichols*
Edmonton, Alberta
Principal
Nichols Applied Management

Harley L. Winger*
Calgary, Alberta
Solicitor
Burstall Ward

* Member of Audit Committee

EXECUTIVE OFFICE

2230, 425 - 1st Street S.W.,
Calgary, Alberta T2P 3L8
Tel: (403) 266-4344
Fax: (403) 290-0043

OFFICERS

Glen A. Phillips
Professional Geologist
President and
Chief Executive Officer

Ron A. Shaw
Professional Engineer
Vice-President, Engineering

Mitch L. Putnam
Professional Geologist
Vice-President, Exploration

JoAnne M. Dorval
Certified General Accountant
Corporate Secretary and
Controller

WHOLLY OWNED SUBSIDIARIES

PETROLANTIC INC.
Tulsa, Oklahoma

CIRQUE ENERGY
(UK) LIMITED
London, England

TRANSFER AGENT & REGISTRAR

The R-M Trust Company
P.O. Box 2517
Calgary, Alberta
T2P 4P4

AUDITORS

Doane Raymond
Chartered Accountants
Calgary, Alberta

LEGAL COUNSEL

Burstall Ward
Calgary, Alberta

BANKERS

The Alberta Treasury Branches
Calgary, Alberta

STOCK EXCHANGE LISTINGS

The Alberta Stock Exchange
Trading Symbol - "CIQ"

The NASDAQ Stock Exchange
Trading Symbol - "CIRQF"

Produced By Genesis Design Inc.

CIRQUE ENERGY LTD.

Head Office

2230, 425 - 1st Street S.W.,
Calgary, Alberta T2P 3L8
Telephone: (403) 266-4344
Fax: (403) 290-0043

PRINTED IN CANADA